

**Policies and Practices That Promote  
Assessment Equity: Case Studies of  
Alternative Models**

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Translating property tax policy into practice is the primary function of state and provincial assessment administrators in North America. Since the 1970s, legislative efforts for property tax reform have placed increasing authority and responsibility in state and provincial agencies to improve assessment quality within their jurisdictions. To observe how these legal policies have been translated into practice, case studies were undertaken in five states and two provinces which have enacted laws and vested in state and provincial assessment administrators power and duties designed to improve assessment equity and uniformity. These case studies offer varied models for developing a high-quality assessment system, and demonstrate a rich diversity in approaches for achieving reform.

### **Part I. Legal and Administrative Features which are Highly Correlated with Assessment Equity and Uniformity**

Recent research and empirical studies have recognized that factors other than assessment administration have significant impact on assessment uniformity. Nevertheless, these studies have identified certain legal and administrative features which are highly correlated with assessment uniformity. John H. Bowman and John L. Mikesell summarized a number of these studies in a paper presented in Denver in June 1990 at the seminar, "Policy Developments in the Property Tax," and subsequently published in the December 1990 issue of the International Association of Assessing Officers' (IAAO) *Property Tax Journal*. I have selected six features from this research to serve as criteria for determining the states and provinces for in-depth study and for evaluating their performance. While the mere existence of these features does not ensure optimal assessment performance, they provide a sound basis on which assessment administrators may build a quality property tax system.

These features include:

1. Uniform assessment of property at market value
2. Periodic, frequent reassessment cycles
3. Effective professional training programs
4. Adequate tools and accurate information for the location and valuation of property
5. Procedures for notice and appeal that invite taxpayer scrutiny
6. Formal property tax relief programs

Information gathered from the 1990 survey of legal and administrative features of property tax systems in North America, conducted by the International Association of Assessing Officers and the Lincoln Institute of Land Policy, was evaluated according to the chosen criteria. From the survey responses, a very short list of jurisdictions emerged which had incorporated most of the desirable features into their assessment systems. For the case study results to have the broadest possible application to other jurisdictions, an effort was made in the final selection of five states and two provinces to include varied administrative structures, geographic diversity across North America, and an adequate period of time from the enactment of legal reforms to the present to enable assessment administrators to translate policy into practice.

The states of Florida, Idaho, Massachusetts, Texas and Wisconsin and the provinces of British Columbia and Quebec were selected for study (See Table 1). The information which follows was gathered from extensive interviews during two to three day visits in each of these states and provinces, and from public documents and other written materials. The author is greatly indebted to the state and provincial assessment administrators who made the necessary arrangements for these visits, and provided the information requested. In addition, local assessing unit personnel, appeal board members, and other public officials and private citizens granted me the courtesy of interviews to broaden my understanding of property tax policies and administration in each of their jurisdictions.

## **Part II. The History and Structure of Reform**

### **A. The Forces for Reform**

The remedies fashioned by each of the states and provinces are a product of the forces which drove reform. These forces were generally a combination of the revenue needs of local schools and governments, and significant lack of assessment uniformity among and within local assessing units. In each of these jurisdictions, comprehensive reform was achieved in the 1970s through judicial or legislative action and was preceded by a number of years of debate and incremental attempts to address inequities. These major reforms have not, however, quelled public discussion on property taxation. In nearly all of these jurisdictions, deliberations and legislative “adjustments” continue in an effort to balance the increasing revenue needs of localities and an acceptable tolerance level for taxpayers. It is striking, however, that the amendments tend to strengthen rather than reverse or weaken the major components of the original reform measures.

Inequality in the distribution of state funds to schools and local governments, based on property wealth, led to action to achieve uniformity in the level of assessments among local taxing districts in Florida, Massachusetts, Texas and Wisconsin. Major reform occurred with the recognition that artificial equalization measures alone were inherently incapable of achieving true uniformity or satisfying state constitutional requirements for equity. In Texas, efforts to achieve equal educational opportunity have been the driving force for property tax reform. In Quebec, reform measures were enacted to ensure an adequate revenue base for municipalities by requiring localities to make full use of the property tax base by assessing property at its “real” value.

Taxpayer hostility to increasing property taxes as well as inequitable assessing practices were also forces which drove property tax reform in Idaho, Massachusetts, and Wisconsin. Efforts in Idaho to enforce reappraisal increased both values and taxes, and resulted in 1978 referendum which established a 1 percent tax limit on individual assessed values. Determined by the Idaho legislature to be in conflict with constitutional uniformity provisions, the legislature combined assessment reform with a 5 percent cap on county budget increases.

**Table 1. Profiles of Case Studies**

<u>STATE</u>	<u>AGENCY</u>	<u>BUDGET</u> (millions)	<u>EMPLOYEES</u>	<u>ASSESSING</u> <u>UNITS</u>	<u>PARCELS</u> (millions)
Florida	Department of Revenue, Division of Ad Valorem Tax	\$7.65	126	67 counties	7.5
Idaho	State Tax Commission, County Services	\$2.0	44	44 counties	0.8
Mass.	Department of Revenue, Bureau of Local Assessment	\$1.2	31	351 cities and towns	2.3
Texas	State Property Tax Board	\$4.8	125	253 Appraisal Districts	13.1
Wisconsin	Department of Revenue, Property Tax Bureau	\$6.77	170	1,893 cities towns, villages, one county	3.0
<u>PROVINCE</u>					
British Columbia	Assessment Authority	\$38.0	645	One	1.3
Quebec	Direction generale de l'evaluation fonciere	\$2.8	55	95 regions, 3 urban communities	2.76

The property tax burden rose to the second highest in the nation in Massachusetts and led both to legislative strengthening of the state's oversight role and to Proposition 2 2, the popular referendum to limit tax levies. Over-assessment of industrial property and increases in the property tax burden on farm owners exerted pressure to bring about a comprehensive reform act in Wisconsin which included the central assessment of manufacturing property.

British Columbia undertook a major restructuring of its assessment administration in order to restore equity after more than a decade of experimentation with assessment limits, fractional assessments, and other attempts at property tax relief. The 1974 Assessment Act has continued to undergo change throughout the 1980s and into the 1990s in response to highly fluctuating market values.

## **B. The Role of Government Structure and Organization in Property Tax Reform Efforts**

In each of these jurisdictions, a major stumbling block to assessment uniformity was the independence of numerous, assessing districts with widely varying levels of expertise and resources. To institute meaningful reform, each of these states and provinces has had to come to grips with its assessment administration and structure.

British Columbia, a province of over 365,000 square miles and vast unincorporated areas, chose to do away with local assessing and centralizing its assessment administration in an independent provincial agency, the British Columbia Assessment Authority (BCAA). The other six jurisdictions have retained dual systems, with a substantially increased oversight role in their state or provincial agencies.

Combining assessment units was achieved in Texas where 253 appraisal districts, formed generally along county lines, replaced 2300 local assessing units by legislative mandate in 1979, with the state contributing funds for the reorganization. An independent agency, the State Property Tax Board (SPTB) was assigned the state-level responsibilities. In Quebec, three metropolitan areas have formed "urban communities" which perform a number of functions, including assessing, for their member communities.

Financial incentives for regionalization in Wisconsin were less successful, with Kenosha County being the only volunteer since 1971 to establish a county assessor system, with up to seventy-five percent state reimbursement. A measure included in Massachusetts' 1979 reform legislation, authorizing cooperative assessing between two or more municipalities, has only been adopted by three communities which share an assistant assessor and the state's CAMA system. Nevertheless, in Wisconsin and Quebec, a practical regionalization has been achieved by the use of qualified private sector appraisers who perform all assessing functions for a number of municipalities. In Quebec, sixty-seven percent of the assessment rolls are signed by private sector assessors.

Where dual systems were retained, the state/provincial agencies have been vested with broad

powers to establish standards and prescribe rules to be followed by local assessors and tax collectors, to monitor performance, and to administer a variety of programs to assist and train assessors/appraisers in meeting legal requirements.

Several states have taken steps to equalize the resources available to their primary assessment units. The Florida Department of Revenue annually reviews and approves the operating budgets of county appraisers and tax collectors to ensure that adequate resources are provided for property assessment in each of the 67 counties. Florida also administers a “Property Assessment Loan Fund” for county purchases of data processing equipment and services from an approved bidder’s list and in accordance with specifications that ensure state-wide uniformity in computer programs. The Idaho State Tax Commission developed a computerized Uniform Assessment System which it maintains for 34 of the 44 counties, providing training and updates without cost to county assessors. Massachusetts, with 351 municipal assessing offices, has the authority to review and require adequate local funding for revaluations, and provides without cost a Computer-Aided Mass Appraisal and Tax Administration (CAMA) System with training and technical assistance to more than sixty small communities.

To further uniformity, some of the agencies provide local units with comprehensive valuation manuals, maps, property record cards and other forms at little or no cost.

To increase the level of professionalism and expertise at the local level, each of the state/provincial agencies has responsibilities for establishing qualifications for assessors and administering training programs.

Central assessment has been adopted as a measure to assure adequate expertise and equity in the appraisal of certain complex properties. Idaho’s State Tax Commission values all utility property, and at local request, appraises locally-assessed industrial property. Wisconsin’s Department of Revenue values all manufacturing property for local taxation.

In pursuing the common goal of equity and uniformity, each of these states and provinces has fashioned a unique combination of legal and administrative features suitable to its special character and needs. The resources and organization of each assessment agency reflect these differences.

The British Columbia Assessment Authority, with 645 employees and a \$38 million annual operating budget, values over 1.3 million parcels of real property, through three Regional Field Offices, 21 area officers and two sub-offices throughout the province. Approximately 87 percent of its budget comes from a levy on taxable property. The agency estimates that its per parcel cost is \$28. The BCAA assessors create the assessment rolls for their regions and turn them over to municipalities (or to the provincial government for unincorporated areas) for local taxation.

In the other jurisdictions, where property valuation is primarily performed at the local level, staffing and budget levels of the state and provincial agencies reflect their less labor intensive,

oversight role. The state agencies may also supervise property taxation as well as assessment administration. Since information on the total state/provincial-wide costs of property tax administration is not currently available, the general profile of each agency, which follows, does not provide a basis for comparative cost analysis. Nevertheless, these profiles demonstrate that size alone, whether in terms of area, number of parcels, personnel or budget, does not determine assessment quality.

The Florida Department of Revenue's Division of Ad Valorem Taxation has a budget of \$7.65 million and 126 employees. The 93 employees in the Field Appraisal Bureau operate out of nine field offices located in various areas of the state. The review of county appraisers' budgets is performed by another unit within the department. There are 67 county appraisal units and 7.5 million parcels.

The Idaho State Tax Commission's three bureaus in the County Support Division have a budget of approximately \$2 million and 37 employees. The eight district supervisors in the Bureau of Real and Personal Property each provide supervision and assistance to between five and seven county assessors. There are 44 county assessors' offices and 800,000 parcels.

The Massachusetts Department of Revenue's Bureau of Local Assessment has a budget of \$1.2 million and 31 employees. However, these current figures represent an approximately 35 percent reduction in state funding from past years, due to state workforce and budget reductions. There are two regional offices in the central and western parts of the state. Supervision of municipal taxation and finance is performed by other bureaus in the department's Division of Local Services. There are 351 city and town assessors' offices and 2.3 million parcels.

Quebec's *Direction generale de l'evaluation fonciere* (DGEF) within the Ministry of Municipal Affairs has a budget of \$2.8 million and 55 employees in two sections, one responsible for assessment standards, research and roll analysis and the other responsible for determining compensation to municipalities for provincial buildings. Another division in the ministry is responsible for municipal finance and grants. Ninety-five regional units and three urban communities prepare 1493 municipal assessment rolls. There are 2.76 million parcels.

The Texas State Property Tax Board\* has a \$48 million budget and 125 employees. There are no regional offices; the 75 employees in the Appraisal Division are assigned to various regions, but are supervised from the central office in Austin.

There are 253 Texas appraisal districts for which value property for more than 3000 taxing districts and 13.1 million parcels. The board compiles extensive data on appraisal district spending and in 1990 reported that the average per parcel cost was \$11.52; costs do differ significantly among districts, however.

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\*Effective September 1, 1991, subsequent to the completion of this study, all duties and functions of the State Property Tax Board were transferred to the Office of the State Comptroller

of Public Accounts in which has been established a property tax division.

The Wisconsin Department of Revenue's Property Tax Bureau has a budget of \$6.77 million and 170 employees in its three sections. The equalization section of the bureau has 107 employees and seven district offices, the manufacturing section has 49 people who centrally value all manufacturing property, and the assessment practices section has a staff of eleven. There is also a chief training officer. The 1,893 assessing districts include cities, towns, villages, and one county. There are nearly 3 million parcels.

Each agency has a strong commitment to providing leadership and to achieving excellence in assessment administration. The goals and annual objectives of these organizations reflect vigorous and creative pursuit of quality performance. The structure of government, to a large degree, determines the focus of activities. The British Columbia Assessment Authority has a greater opportunity to achieve efficiency, cost-effectiveness and uniformity by its central control of the assessment process. Its independence must be balanced by special attention to maintaining responsiveness and accountability to its client municipalities and taxpayers. As a large organization it must guard against the inefficiencies of large bureaucracies by strong management and coordination, and by attention to employee performance and growth. BCAA clearly demonstrates it understands the strengths and weaknesses of centralization.

The other state and provincial agencies, with primarily oversight responsibilities, have the task of exerting leadership and clear purpose in furthering state policies. At the same time, they recognize the importance of respecting the differences among local assessing units, which are most familiar with local circumstances and directly accountable to local taxpayers. These agencies successfully build cooperative relationships and offer the support services and quality control that further uniformity and professionalism while building pride of accomplishment and commitment to a common purpose among local officials.

### **Part III. Measures to Achieve a High Quality System**

#### **A. Uniform Assessment of Property at Market Value**

The attainment of assessment uniformity, both in policy and in practice, has been the primary goal of reform efforts. In each of these jurisdictions, legal reform measures established or reaffirmed the market value standard for assessment of property. There was universal agreement that assessments at full market value are more accurate and equitable, can be monitored more effectively, and are more readily understood and evaluated by taxpayers. Legislation enacted since initial reform has generally strengthened, rather than weakened, the commitment to full value and the administrative authority to achieve results.

***Defining Market Value*** In some cases the administrative agencies have had to adapt their practices to special definitions of market value prescribed by their laws. For example, Florida's statutes prescribe that appraisers, in determining "just" or fair market value, must consider "the net proceeds of the sale, as received by the seller, after deduction of all the usual and reasonable fees and costs of the sale." To avoid the administrative difficulty of determining the exact

amount of deduction for each sale, Florida's Department of Revenue ruled that deductions may not exceed 15 percent of the sale price, and this percentage has been routinely applied by the county appraisers. In British Columbia, continuous litigation brought about special legislation which established a specific method for applying replacement cost less depreciation in the valuation of industrial property. Although the application of these methods may, in fact, not lessen uniformity, they do place limits on the appraiser's full ability to establish market value.

***Measuring Market Value*** Each of these states and provinces has established standards and methods by which to measure and monitor attainment of market value assessments, and has, over a period of years, seen significant improvement in achieving those standards throughout their jurisdictions. In most jurisdictions, standards have been gradually tightened to further improve assessment performance. Either by statute or administrative ruling, the standards generally fall within the IAAO recommended standards for a level of assessment within ten percent of full value (90 percent-110 percent).

The Florida Department of Revenue has recently raised its threshold requirement to 92.5 percent for 1992-93 rolls and to 95 percent for 1994-95 rolls, and is evaluating its method of measuring sellers' costs, to bring the actual level of assessment closer to full value. In Quebec, a median ratio between 95 percent and 105 percent is expected when there are more than fifty sales.

Ratio studies and other statistical measures are employed by all of the administrative agencies to test the level and uniformity of assessments.

The British Columbia Assessment Authority (BCAA) sets valuation standards for each reassessment, and tests their achievement in each assessment area in the province. The minimum standard to be achieved is within 10 percent of full value and a COD of 10 for each property category. For property categories in some areas, achievement of higher standards is expected. The 1990 province-wide assessment level was 97.6 percent with a COD of 8.5.

State/provincial agencies studying local assessment performance choose samples for testing from properties that have sold during the test period, or from a selection of all properties, conducting appraisals for non-sale properties. Qualified sale prices, appraisals or a combination of both are compared with assessed values. A number of statistical techniques are used to measure the level of assessment, among them the simple mean, weighted mean, geometric mean and median. Uniformity is measured by coefficients of dispersion (COD) or variation (COV) around the median or mean ratio, respectively.

Florida, for example, develops these statistics on a randomly selected sample of properties in each of eight property classes during its biennial in-depth study of county assessments. It has recently added a chi square analysis to compare the rate of change in the test sample with the entire assessment roll, to identify if there is "sample chasing." Remedial action is required for strata of properties that do not meet the required threshold level, with CODs above 20 or with price-related differentials (PRD) under 95 or over 110.

Idaho's ratio study is based on a sales sample from the calendar year immediately preceding the assessment date; appraisals are only conducted on agricultural land.

Quebec relies primarily on sales, performing appraisals in the absence of sales data. In Massachusetts, Texas and Wisconsin, sales samples are augmented by appraisals.

The methods employed in measuring performance and the differences in emphasis in testing the level versus the uniformity of valuations reflect the purposes for which each state and province conducts its studies. Where equalization of property wealth among assessing districts is the primary goal, (and was the driving force for reform) assessment agencies tend to target their resources toward analysis of assessment level and link compliance rewards or penalties with achievement of minimum assessment ratios. Statistics on uniformity, even where the emphasis is on assessment level, are generally computed, however.

In the state of Texas, the State Property Tax Board (SPTB) is required by law to conduct annually a school district study by calculating a weighted mean ratio and estimating the full value of each of the 1053 school districts. Although the agency also conducts studies of the 253 appraisal districts and calculates statistics for both assessment level and uniformity within each district, the sample selected and tested for both studies is designed to capture the major valuation in each school district. The board's estimates of total taxable value are often appealed by school districts in order to justify a larger share of state education aid. Since school, county and other taxing districts rely heavily on the property tax, there is also pressure on district appraisers to achieve a full value tax base. The 1990 overall state assessment ratio was 99 percent. The board has not audited appraisal district methods, but in 1989 was authorized to conduct a performance audit if in two consecutive years, the overall median level is less than 75 percent, the overall COD exceeds .30 or the difference between medians of any two classes of property is more than .45.

The Idaho Tax Commission conducts annual ratio studies and may order adjustments to county assessed values if in two consecutive years none of the measurements of assessment level (simple mean, median, geometric mean or sales weighted mean) is between 70 percent and 130 percent. The commission does not adjust values to correct uniformity problems. Idaho's 1990 overall assessment ratio was 99.2 percent, and no countries have required adjustment in the past four years. However, since 1988, valuations in each property category must meet more stringent standards once in a two year period. Assessment ratios must be within 90 percent to 110 percent with a 95 percent confidence interval, with at least one of the measures between 95 and 105 percent. If this standard is not achieved, a more detailed interim study will be conducted by state personnel on both the level and uniformity of assessments, and the state's district supervisor will make recommendations to the county assessor for corrective action.

Wisconsin's Department of Revenue determines an annual equalized valuation for each assessing jurisdiction. This estimated full value is used by taxing districts to apportion their levies among municipalities, and by the state for distribution of local aid and determination of the state property tax which provides revenue for reforestation. Individual tax bills list both the assessed

value on which taxes are collected and an equalized value based on the state-determined assessment ratio. Since 1986, the department has ordered any assessing jurisdiction which did not achieve the total assessed valuation with in 10 percent of full value once in every four years to undergo a reassessment. In 1986, 425 notices (out of 1889 districts) were sent. Since 1987, no notices have been required. The most recent ratio study reported a state-wide level of assessment at 95.79 percent with nearly all jurisdictions having overall ratios between 95 percent and 100 percent.

Quebec tests the total valuation of each assessment roll against sales to determine the community's median ratio. Failure to meet overall assessment level standards may result in a penalty of 10 percent of the municipal grant and provincial tax compensation. Uniformity is measured by the standard deviation, which may be up to .24 if there are more than 500 sales, and somewhat greater as the number of sales decreases. Recognition that overall statistics may mask serious inequities has led DGEF to focus its resources on identifying defective rolls, and developing remedial programs, which will be described in greater detail in the next section of this report.

Ratio studies are performed in every even numbered year in Massachusetts to determine an equalized valuation for each city and town for allocation of certain state funds and apportionment of county costs. The most recent study in 1990 reported a state-wide composite mean ratio of 96 percent, with 88 percent of the 351 municipalities with ratios of between 90 percent and 100 percent. The equalized valuation studies are not used for measuring compliance with assessment standards. Assessment quality is tested by Massachusetts' Bureau of Local Assessment in its triennial certification of locally assessed values. Since the average number of taxable parcels in Massachusetts municipalities is less than 5000, the bureau relies less on sales ratio analysis than on reviews of system administration, valuation methods and documentation, and a field review of final values on a sample of properties. Nevertheless, the assessment-sales ratio for single family residential property must be within 10 percent of full value, with a COD of no more than 10. Other residential subclasses are tested if there are sufficient parcels and sales. No statistical testing is done of non-residential property for certification, due to the paucity of comparable sales.

## **B. Assessment Cycles**

The frequency with which reassessment actually occurs is an important factor in assessment quality. Although the stability of the real estate market has an important influence on the maintenance of assessment ratios over time, frequent regular assessment programs further assessment equity and uniformity. Legal requirements for periodic reassessment without programs and resources for achieving it may, however, have little effect on assessment performance. Each of these case studies demonstrates that commitment to frequent reassessment is a key component of programs to improve the quality of assessments.

***The Effect of Reassessment Cycles on Market Value*** To maintain current market values, the

ideal system is one which updates its assessments annually. The state of Florida requires the level of county assessments to be maintained annually at a 90 percent or better ratio. Reassessment is conducted in-house by county appraisers using computerized appraisal systems. Adjustments are made to cost tables or other appraisal schedules to reflect the market. General factoring is not employed. The Department of Revenue reviews and approves each assessment roll annually and may issue a “review notice” setting forth remedial measures to be taken before final approval. When the final roll is submitted and meets with “substantial compliance” based on the overall level of assessment, the department may issue a “defect letter” requiring specific corrective action on various strata of property before submission of the subsequent year’s roll. The biennial “in-depth” statistical study of each category of property within the county provides the data on which requirements for corrective action are based. If a roll is rejected, for failure to correct inequities, there are provisions for tax collection on an interim roll until remedial action is taken.

The state of Idaho has developed a creative approach to maintaining market value annually with limited resources. Idaho law requires assessors to reappraise each property at least every five years. County assessors reappraise annually at least 20 percent of each category of property in each geo-economic area, and index the remaining properties to reflect the value level indicated by those actually appraised. District supervisors from the State Tax Commission assist assessors in the development of the five-year plan and in the selection of geo-economic areas and parcels to be appraised. The state provides a detailed report to county assessors of its annual ratio studies on fifteen different property categories. The state’s district supervisors work closely with the county assessors to address problem areas and correct inequities. This approach enables assessors to maintain assessments at current market value, while also improving the quality of their assessment systems.

The states of Massachusetts, Texas, and Wisconsin require property to be assessed annually at market value by law, but set a minimum standard for the frequency of revaluation.

Massachusetts law requires that the commissioner of revenue certify every three years that locally assessed values represent “full and fair cash value.” Triennial certification is a prerequisite for local use of tax classification and issuing tax bills. This three-year cycle, when initiated in 1979, allowed the department to develop standards and procedures that were workable, resource-conscious, and achievable for small, independent city and town assessors. While the court-ordered revaluation initiated reform, the three year cycle provided the vehicle for long-term development of effective municipal assessment systems. The three year plan, designed by assessors and reviewed and approved by the Bureau of Local Assessment, addresses sales verification, ratio studies, data quality, valuation methods, field review and performance testing, documentation, taxpayer notice and public information. Bureau advisors visit assessors periodically during the three year cycle to review output and offer technical assistance, so that the final certification review, at the completion of the revaluation, holds no surprises. A committee of assessors, appointed by the Massachusetts Association of Assessing Officers and bureau personnel, meet regularly to streamline and improve the certification process.

During most of the decade, rapid growth in real estate development and values in Massachusetts coincided with improvements being achieved in the quality of assessment administration as well as in assessment uniformity. The number of appeals plummeted because assessments lagged behind actual value, and tax increases and shifts were largely controlled by levy limits and tax classification. As the market leveled off and began to decline in 1988, many assessors were in a better position, with revaluation experience and administrative capability, to increase reassessment frequency to reflect current values. Taxpayer pressure and a greater number of appeals are the stimulus for bringing the reassessment cycle into conformance with the annual market value standard in Massachusetts.

Each Texas appraisal district must by law implement a plan for periodic reappraisal at least once every three years. Prior to 1989, a four year cycle was permitted. A decade after their formation, most district offices are well-organized to perform their functions. Under pressure from school districts to maximize the tax base, many districts reappraise property more frequently. The Dallas appraisal district, for example, equalizes its values annually. Property values have been relatively stable in recent years, permitting more rural districts to maintain close-to-market value assessments without annual revaluation. The State Property Tax Board exercises no direct authority over revaluation methods or procedures, but collects and publishes extensive data on appraisal office operations, staffing and finances, as well as statistics on assessing performance.

Wisconsin courts have consistently condoned fractional assessments as long as there was uniformity among taxpayers within a taxing district. Statutory provisions, however, require full value assessment as of January first of each year and authorize the Department of Revenue to enforce revaluation if assessed values are not within ten percent of full value once in every four years. The department, through its well-respected annual equalization studies, has identified and issued compliance orders as required. As many as 425 were issued in 1986. Since then, assessors have met the standards, thus revaluing at least every four years. In 1992, if the department finds, in addition, that the assessed values of any two classes of property are not within ten percent of each other once during the four year period, the assessor will be required to participate in a training program within the next year, followed by a supervised review in the following year if the standard has not been achieved. Taxpayers may also request that the department require reassessment, and there were often as many as forty requests a year. Recently, the number of requests has decreased to six or seven, primarily from major taxpayers. There is considerable variation in the reassessment cycles among the nearly 1900 assessing districts. Kenosha County revalues annually, the city of Milwaukee every two years, and rural areas generally every two to three years.

Both British Columbia and Quebec require that assessment rolls of full value be deposited in the first year of an assessment period, and except for ownership or property changes, no valuation adjustments are made during that period. Thus the market value is legally established at a particular point in time and is not subject to appeal on the basis of market fluctuations until the next assessment roll comes into effect.

In British Columbia, a complete new assessment roll is determined in every even-numbered year. All properties are revalued within that two year time period. An annual revaluation cycle had been abandoned years earlier, but there are now municipal advocates for a return to an annual cycle. The British Columbia Assessment Authority has projected that to achieve comparable accuracy, a 20 percent to 25 percent annual operating budget increase would be required. British Columbia's enormous geographic size would account for some of the increased costs of more frequent reappraisal.

From 1979 until 1988, Quebec law required annual assessment at full value. Although most assessing districts attempted to comply by meeting the established overall assessment level, many were not able to achieve quality assessments. In 1988, new legislation established a three year cycle, with full compliance with provincial standards required no later than 1992. In communities with fewer than 5000 inhabitants, assessors may choose to revalue every six years, with an equalization within three years.

In 1990, the DGEF developed a "Real Estate Quality Control System Handbook" with methods for identifying and correcting defective rolls. The program was developed by a task force, chaired by the DGEF, of representatives from the Quebec Professional Appraisal Corporation, the Municipal Assessors Association, and contract assessor/appraisers. The DGEF focused its resources on analyzing 622 out of 1493 rolls with the most active real estate markets, representing 83 percent of the parcels and 93 percent of the value in the province. Ten minimum performance measures, including frequency of reappraisals and data collection as well as statistical standards, were used to identify deficiencies. Overall, 87 percent of the rolls satisfied the criteria. Those found to be deficient by one or more of these measures will be reviewed in greater depth, with DGEF visits to assessors' offices to review the quality of records and procedures. All assessors will have some of their rolls analyzed over a five year period. Following the review, the DGEF will provide the assessor with a confidential, detailed report on its findings and recommendations, for the assessors' comments. A final report will thereafter be presented to each assessment jurisdiction and to each municipality within it. Should corrective action not occur by the deposit of the next roll, provincial grants or tax compensation for the municipalities will be reduced by 10 percent a year for the three year period. Although it is premature to evaluate the results of this new program, both Quebec assessors and provincial officials believe its focus on assessment system quality, combined with the three year reassessment cycle to make improvements, will bring about improved assessment systems and greater equity.

***Evaluating Reassessment Methods and Practices*** To promote and achieve higher quality in revaluation methods and practices, different approaches have been taken. Recognizing that qualified appraisers and adequate tools and resources are necessary, some jurisdictions rely on private contractors to perform the cyclical revaluations. In Massachusetts, nearly all communities contracted with private mass appraisal firms for performing the initial court-ordered revaluation, and many still rely on contractors for all or part of their triennial revaluations, as

well as for annual maintenance. An increasing number, in recent years, have hired full-time personnel and installed computer systems to enable them to be more self-sufficient.

While assessing districts in Idaho and Texas predominantly perform their work in-house, some offices do contract for appraisal services, generally for specific property types, such as commercial or personal property. In these states, elected or appointed public officials retain full legal responsibility for the assessment roll. In Quebec and Wisconsin, many municipalities privatize their entire assessing function, contracting with private-sector appraisers or firms, which have been qualified by the state's department of revenue or by the province's professional appraisal corporation, to perform all work and sign the assessment roll. In these jurisdictions, the private sector assessors generally work for a number of communities in a particular region, which has the benefit of improving assessment uniformity among neighboring communities.

Florida's county appraisers and the British Columbia Assessment Authority perform all appraisals in-house, contracting only for computer services. The emphasis has been on building professionalism among staff, and expanding data processing capability.

To promote uniformity in the valuation of property, Idaho and Quebec provide a cost manual to assessors who modify its schedules according to local costs and market factors. Idaho's uniform assessment computer system incorporates the schedules, which are based on the Oregon manual. Wisconsin offers a residential cost manual and the Boeckh manual for commercial property for a \$20 fee. Texas publishes an appraisal manual that offers guidance to appraisal districts on the approaches to value and the appraisal of various types of property, but does not prescribe or provide cost manuals. Appraisal districts develop or purchase their own valuation systems. In Florida, all county appraisers have computerized valuation systems that are standardized as to data and to format, although schedules are locally adjusted. Fifty percent use the Howze System which was developed in the state.

The British Columbia Assessment Authority contracted for the development of its CAPAS System (Computer-Assisted Property Assessment System), and purchased the Marshall Swift Cost System for non-residential property. Manuals for the various types of property are continually updated and improved for use throughout the province.

State/provincial oversight of reassessment methods and practices varies, with some agencies reviewing programs on an on-going basis, and others testing only the final results. Only the state agencies of Idaho and Massachusetts are actively involved in providing technical assistance to local assessing units during the course of revaluation. This assistance had been beneficial in developing cooperative relationships between state and local assessing officials, and in achieving final compliance with state standards. Quebec's DGEF will expand its field visits in implementing its new quality control system. British Columbia assessors develop, with their area supervisors, detailed workplans for the two-year reassessment program, with specific performance measurements to be achieved for each property category. In Florida, Texas and Wisconsin, the role of state field personnel is primarily to collect data and conduct appraisals for

testing final results. They do not generally review methods and practices, although they share information with local assessors during this process. Wisconsin audits the performance of the Kenosha County assessor since the office is largely funded by the state.

### **C. Training of Assessing Personnel**

Each of these states and provinces has given assessor education a high priority in its programs to improve assessment quality and performance, and has established qualifications for assessing personnel. The structure of assessment administration and the make-up of the assessor population has been an important factor in designing qualifications and training programs. In Canada, assessing personnel are full-time personnel, hired and promoted through a career system, based on appraisal education and experience. In the United States, assessors may be elected and/or part-time officials drawn from their communities, with varying levels of formal education and appraisal training. Florida's county property appraisers (except for Dade County) and all of Idaho's county assessors are elected, and serve full-time during their four year terms. Massachusetts and Wisconsin have both elected and appointed assessors, at local option, some of whom serve on a part-time basis. All Texas appraisal districts have appointed, full-time appraisers.

***Minimum Qualifications and Requirements*** For elected officials, there are often no pre-entry requirements, and these assessors may have had little or no background in appraisal. Idaho has no pre-entry requirements for election of a county assessor, but all county and private sector appraisers who make value judgments must be certified by the State Tax Commission. In Wisconsin, an assessor must take the Department of Revenue's examination for certification within one month of election to the office and, if not successful, the office is declared vacant and can be filled by a qualified person. Higher levels of certification are required for urban than for rural assessing districts. Massachusetts and Florida administer certification programs which require certification within two years of election or appointment.

All Texas property tax appraisers, whether in the public or private sector, must have a high school education and register with the Board of Property Tax Professionals. Based on prior education and experience, the registrant is classified and prescribed time limits within which to complete educational requirements for certification. To perform more complex appraisals, a higher level of certification is required. State appraisal personnel in Texas and Wisconsin must also be certified. In other states, state appraisers meet the same or higher qualifications, and their training is funded by their state agency, but they are not included in assessor certification laws.

The British Columbia Assessment Authority recruits employees from throughout the province through an open competitive process, and establishes its own job classifications and performance standards in collective bargaining with its employee union. Entry-level employees must have completed grade 12 and either be enrolled in or have completed appraisal courses through the Appraisal Institute of Canada or the University of British Columbia's urban land economics diploma program. Most appraisers have some college background, are encouraged to pursue job-

related education, and are reimbursed for satisfactory completion of approved courses. All supervising appraisers and 300 other appraisal personnel have been certified by the Appraisal Institute, and another 100 are in various stages of completing course requirements.

In Quebec, only chartered appraisers may sign and deposit an assessment roll, whether they are a public assessor or a private contractor. *La Corporation Professionnelle des Evaluateurs Agrées du Quebec*, a public professional corporation of appraisers, is granted the authority to establish and administer the program for qualifying all fee and property tax appraisers in the province. The current president of the corporation is the director of the Quebec urban community's assessing department. There are professional and technician levels, and provincial employees are expected to be accredited for their level of work.

Requirements for certification may include experience, education and examinations. Florida's requirements for county appraisers include two years appraisal experience in a county appraisal office or in the Department of Revenue, successful completion of 120 hours of approved courses and examinations, including IAAO courses 1 and 2 and two others, and payment of a \$20 registration fee. Idaho requires successful completion of IAAO course 1 and 2 and examinations, and one year's experience as an appraisal trainee. Massachusetts requires completion of the Department of Revenue's 30 hour course and its examination in Administration Law, Procedures and Valuation, while serving as an assessor or assistant assessor. Texas property tax appraisers must successfully complete eight required courses developed by the State Property Tax Board and two examination levels. The courses, usually two and one half days in length, cover law, administration and valuation, and are taught from SPTB texts and workbooks. To obtain certification in Wisconsin, any person may make application, pay a \$20 registration fee and pass the required examination for each of the three certification levels. The exams are given several times a year at technical colleges in various locations across the state. There are no required courses, although applicants may purchase a study packet, assessors' manual and video-taped programs from the Department of Revenue. The exam covers laws, procedures, principles of valuation, appraisal methods and sample problems. Many take the exam, but only ten percent of those pass.

Although no legal requirement exists for British Columbia assessors to be certified, the Assessment Authority provides incentives and bases advancement on pursuing accreditation. Professional qualifications are expected and required for performing appraisals. The Appraisal Institute of Canada offers two levels of accreditation, CRA (residential) and AACI (Commercial and Industrial), each with specific course and examination requirements. In addition to examination courses in theory and practice, applicants must complete demonstration appraisals, and have three years of appraisal experience for the CRA and five years for the AACI. The Appraisal Institute also accepts for accreditation courses from the University of British Columbia's four year real estate program.

French-speaking appraisers in Quebec receive accreditation from its professional appraisers corporation. Requirements include 16 years of schooling including three years of university

education, two years experience as an appraisal trainee and an examination.

All states, with the exception of Massachusetts, and both Canadian professional appraisal organizations, have continuing education or re-certification requirements.

***Certification Program Administration*** Certification programs in Florida, Idaho, Massachusetts and Wisconsin are administered by the states' assessment agencies. The Florida Department of Revenue administers the certification program both for county appraisers and tax collectors, under the direction of a seven-member committee which includes the presidents of appraisal and tax collectors associations, and others appointed by the department's executive director. Idaho, Massachusetts and Wisconsin agencies work closely with committees of their state assessors' associations in planning training programs, but assessors have no formal role in certification.

Texas' Board of Property Tax Professionals administers registration and qualification for certification and is independent from the State Property Tax Board which is responsible for training. The certifying board members are appointed by the governor, and must be themselves certified and actively engaged in property tax administration. The two organizations work closely together and are located in the same office. A curriculum committee made up of District Appraisers assists the SPTB in developing course curricula.

Property tax appraisers make up a substantial part of the membership of, and have leadership positions in the professional associations in Canada. The British Columbia Assessment Authority is working toward having IAAO courses accepted for accreditation, in order to include more mass appraisal training.

***Education Program Design*** In designing programs for certification and accreditation, states and provinces have provided varied methods of instruction that take into consideration the accessibility and cost of training. Florida relies primarily on IAAO courses taught by national instructors which are offered annually in five schools at different locations across the state. Education costs at \$290 per IAAO course are paid by the Counties for their employees. The Department of Revenue also conducts workshops on various subjects. Certified county appraisers receive an additional \$2000 pay increment annually.

Idaho's IAAO courses are taught by qualified state staff or by qualified IAAO instructors. Course I is offered in three locations in the state annually, and of course 2 is available at the week-long annual assessors school at Boise State University, which also offers a variety of other workshops and courses for continuing education. County personnel pay \$150 and private appraisers pay \$255 for course registration.

Massachusetts' required course for certification is developed and taught by state personnel at no cost to assessors. The course is offered at the one-week annual assessors' school at the University of Massachusetts, and is also given in regional locations in ten weekly evening sessions for part-time assessors. Workshops are given throughout the year, generally on

administrative or legal subjects. IAAO courses are sponsored by the State Assessors Association as a part of their professional designation program, which offers three designation levels. County associations sponsor seminars for development of appraisal or computer skills. These courses are funded by registration fees, and many assessors enroll at their own expense. Massachusetts law authorizes cities and towns, at local option, to add up to \$1000 to the salaries of assessing personnel with state or IAAO designations.

The Texas SPTB prepares course texts, workbooks, instructors' materials and examinations, and approves sponsors and instructors for the courses required for certification. Courses are sponsored and offered at various locations in the state by colleges, professional organizations and private training firms which provide the instructors. Fees are set at \$75 each for these courses. The SPTB does not teach these courses, but does organize conferences and conduct workshops and seminars at these conferences. Some of the larger appraisal districts offer training courses for their personnel and for those in neighboring districts. IAAO courses are offered less frequently, according to the SPTB, because of their higher cost. Texas A&M University offers a degree in real estate and appraisal, and graduates are recruited by district offices.

Wisconsin's Department of Revenue provides no required courses for certification, but co-sponsors various IAAO courses with the Wisconsin Association of Assessing Officers and pays instructors' fees. Continuing education credits must be from approved courses which include those given by professional appraisal organizations, IAAO, and colleges. Credit may also be obtained for attendance at workshops at the three-day annual assessors school. Waukesha Technical College has a two year course in property tax administration and appraisal which provides qualified personnel for Kenosha County, Milwaukee and surrounding areas.

In British Columbia, courses for both the Appraisal Institute accreditation program and the University of British Columbia program may be taken through correspondence or classroom instruction. Most appraisers work with an accredited sponsor, and use both forms of instruction. Course fees are paid by the individual, but are reimbursed by BCAA upon successful completion. The BCAA also develops and offers internally a variety of one to five-day administrative, management and technical seminars for specific groups of employees, and a two-day seminar is held annually at the University of British Columbia in Vancouver, which is attended by half of the professional staff each year. An average of eleven days of training is provided each field appraiser annually.

Quebec's appraisal education is primarily provided through its colleges and universities, and is paid for by the individual, but the cost may be reimbursed by his or her jurisdiction. Quebec universities offer degree programs in real estate appraisal which graduate approximately 100 students yearly. Some courses are televised for home study. The provincial agency publishes a list of courses, and works with the professional corporation and universities in developing educational programs. Discussion is underway with the IAAO and the Appraisal Institute of Canada to have their courses translated into French and adapted for use in Quebec.

Each of the state and provincial agencies is strongly committed to increasing educational opportunities for all assessing personnel. They encourage and support professional appraisal and assessing associations. In addition to state assessors associations, Massachusetts has an IAAO chapter and Wisconsin has a candidates' club for assessors wanting to achieve IAAO designations. In Canadian provinces, and increasingly in the United States, college and universities are encouraged to provide courses and programs in appraisal education. To increase educational offerings, local assessing personnel and assessors' associations may sponsor and provide qualified instructors for courses. Massachusetts actively recruits assessors to become qualified IAAO instructors, and has sponsored IAAO instructor training workshops in the state. Most IAAO courses can now be taught by either state or local assessing officials. In Wisconsin, the League of Wisconsin Municipalities as well as the assessors association sponsor courses. The participation of assessors in instruction may be crucial to providing a wide range of subject matter to meet unfilled educational needs, particularly in mass appraisal, statistics and computer-assisted valuation programs.

#### **D. Availability of Tools and Information for Location and Valuation of Property**

***Tax Maps and Property Data*** Adequate data for identifying and describing property, including maps and property characteristics, are necessary and important components of accurate measurements. These state and provincial agencies offer various models for influencing and improving the quality of data.

The British Columbia Assessment Authority's central office includes a mapping section which maintains and updates maps for area offices and contracts for aerial photography as needed. Graphics and computerized maps are under continual development. A mapping needs survey was recently conducted to set priorities for future improvement, and mapping workshops are held for key staff in each area office. As the largest repository of maps in the province, the BCAA generates income from the sale of its maps. Assessors have legal authority to enter into or on property for the purpose of determining its value. In the past, there was a required six year reinspection cycle, but it was found to be more effective to target inspections through sales analysis. Property in stable areas is inspected less frequently than others.

The Florida Department of Revenue provides high-quality GIS maps to the counties. Aerial mapping is performed by the Department of Transportation. Parcel identification, in accordance with uniform specifications, is provided and maintained by county appraisers. Florida law specifies that property is to be inspected once every three years. In practice, county appraisers do not strictly comply with this requirement, and the Department of Revenue does not monitor compliance. Exterior inspections are generally limited to new construction, building permits and recent sales. Appraisers do not inspect the interiors of residential property, both because of their workload in completing annual revaluations, and because they believe their housing stock is new and homogeneous enough to produce uniform values. Nevertheless, it is likely that lack of interior information may result in regressivity for higher priced residential properties.

Idaho law requires county assessors to maintain “a full, accurate and complete plat book.” All counties use aerial maps purchased from the Soil Conservation Service, and plats are drafted in ink on Mylar at specified scale and size. A few of the more urban counties are developing computerized mapping systems. Some assessors maintain their maps with in-house staff and others contract for maintenance service. There is a uniform parcel numbering system used throughout the state. All property is inspected during the five year reappraisal cycle, and interior inspections of residential property are made when entry is permitted. Property characteristics used in valuation by the Oregon cost manual are uniform throughout the state. The state bureau’s district supervisors are familiar with the quality of their counties’ maps and inventory, and assist assessors in incorporating improvements into their five year plans.

Massachusetts cities and towns are required to acquire and maintain their own maps. The state’s Bureau of Local Assessment provides model specifications for contracting for aerial mapping, and requires municipalities to meet minimum standards. A few communities are developing computer mapping systems, but many have original maps that may be many years old. Recorded deeds go back to the 1600s in some areas. Even with old records, the small size of the communities allows for relatively accurate and complete property descriptions. There is no legal requirement for a specific property inspection cycle. The bureau’s approach has been to encourage assessors to maintain accurate property characteristics by a continuous reinspection program appropriate to their type of community. Communities with a more active real estate market may require a higher level of reinspection activity. All complete revaluations in the early 1980s included full interior inspections, and assessors or their contractors annually reinspect property with building permits, demolitions and damaged buildings. Many assessors also inspect all sold properties as part of their sales verification program. If during the state’s certification review, property inventory errors are discovered, the bureau may recommend a data quality study of a percentage of the parcels to determine whether a full reinspection is required. Specifications for the data quality study are included in the bureau’s certification manual.

In Quebec, base-line maps with longitude and latitude are provided by the federal government. Parcel identification and location information is produced, maintained and updated by Quebec communities which receive modifications to land records from the provincial registry. Uniformity is required by statute and by DGEF guidelines. Larger municipal offices have GIS maps. Uniform property characteristics are collected by technicians in all districts for use in the valuation system. Interiors and exteriors are required to be inspected on a nine-year cycle, with new construction and property changes collected annually. Many jurisdictions also inspect all sold properties annually. In its quality control program, DGEF has set a minimum performance measure of property inspections equaling three times the annual rate of sales over a five year period. Assessors have legal authority to visit and examine property during regular working hours, carrying an identification card certified by municipal clerks. A property owner can be fined for refusing entry.

Texas district appraisers are responsible for developing and maintaining tax maps. Since the formation of the appraisal districts, considerable effort has been needed to integrate prior maps

from overlapping districts in order to prevent land from escaping taxation. This is still a problem in some rural areas, and coordination of land valuation systems is an area for which district appraisers would like to have greater state assistance. State funding, however, has not been provided, and GIS systems are only being developed in larger, urban districts. Interior inspections are not generally done on residential property, but information on property characteristics is gathered from sales verification forms, from real estate brokers, and from building permits. Texas law specifically authorizes entry into business property for identifying and valuing personal property. The State Property Tax Board does not directly monitor appraisal district practices, but may review data quality if a performance audit is required for failure to achieve minimum ratio standards.

County maps are used by Wisconsin assessors, who record and maintain parcel data for their jurisdictions. The Kenosha County assessor's office is developing a computerized land data and mapping system as a pilot project, and the city of Milwaukee has GIS maps, but most municipalities do not have automated mapping. The Department of Revenue provides property record cards for uniform collection of property characteristics across the state, and most jurisdictions have completed full interior property inspections over the past five to seven years. Reinspection cycles vary. Kenosha County reinspects property within a four year cycle; the city of Milwaukee has a goal of reinspecting over a five year period, but has not been able to fully accomplish it. Smaller, rural districts may limit reinspection to building permits and recent sales. The Department of Revenue does not specifically test data quality, but field staff conducting equalization studies help assessors identify problem areas.

***Sales and Other Information Used in Valuation*** The availability of reliable sales, costs and economic information is vital to the development of market valuations. State and provincial laws enhance or hinder the efforts of assessors to acquire this data, and thus influence the methods for collection and analysis of the information in each jurisdiction. The states of Idaho and Texas, which do not have sales recordation laws, have to compensate for the lack of public information.

Canadian provinces have strong legal authority to collect information required for valuation. In British Columbia, sales are publicly recorded and are transferred on-line from the land Registry Office to the Assessment Authority. Field appraisers investigate and code the sales. Building costs are collected in the field and provided to the central cost research section which updates cost schedules and develops local modifiers and market adjustment factors for each assessment cycle. Business owners must supply confidential information on income and expenses. In Quebec, detailed information on all sales and mortgages is recorded in the provincial registry and sold to assessors. Assessors code sales in accordance with DGEF regulations. Each assessing office collect building cost information and adjusts the schedules of the provincial cost manual to reflect the local market. Income and expense data is collected locally using forms purchased from the DGEF. The confidentiality of the information is protected.

In Florida, sales information is provided to county appraisers from real property transfer forms filed with the county. County appraisal staff qualify and code sales in accordance with

Department of Revenue instructions. These sales are submitted in a computerized format to the Department of Revenue for their annual ratio studies. The department is proposing that property information numbers be recorded on the transfer form, so that the state could acquire sales information directly from the county for its annual ratio studies. Property tax officials have confidential access to income tax information.

Idaho does not record property transfers. Nevertheless there is an active sales verification program, and state and county officials believe they receive reliable sales information. County assessors acquire information on sales from brokers and banks, and mail forms, requesting information on sales, to both buyers and sellers. There is an incentive for homeowners to return the form, since the application for a homeowner's exemption is included. The State Tax Commission receives confidential information on all FHA loans, which is compared with the Counties' sales verification forms. Cost tables from the state's cost system are adjusted to local conditions by county assessors, with review and assistance from the state's district supervisors. Income and expense forms are sent to businesses by county assessors, which generate a 45 percent return. State appraisers may assist county assessors in appraising commercial and industrial properties and in developing capitalization rates.

Massachusetts assessors generally subscribe to a service to collect new deeds, which include the sales price, from the county registry. The sales are reviewed and coded in accordance with Department of Revenue guidelines. The department encourages the use of, and provides a suggested sales verification form to be mailed to buyers, but the majority of assessors rely on personal contacts in their communities. The department relies on the assessors' accuracy in coding sales, and during certification, may question the number of sales excluded from analysis, and review the assessors procedures for sales verification. In some communities there is an inadequate number of sales, and assessors rely on regional data to market-adjust cost tables and develop land values. Many assessors use commercially purchased cost manuals, such as Marshall Swift, with local cost modifiers, and each mass appraisal firm has its own cost and market system and underlying data as part of the certification process. Assessors mail forms to local businesses to collect income, expense and rental information. The response is less than 50 percent in most jurisdictions. The information must be submitted if the owner appeals, since it is a prerequisite to being heard before the State Appellate Tax Board. Other economic information is gathered from a variety of regional publications and studies and from contacts with business groups.

Texas does not require disclosure of the sales price, but does record property transfers. Both appraisal districts and the State Property Tax Board mail sales verification forms to new owners. State and district appraisers compare the information collected. Additional information is acquired from real estate brokers who are generally cooperative, since they actively oppose legislative proposals for a sales disclosure law. Appraisal districts collect their own cost and income data. There is no penalty to property owners for not submitting requested information, but it must be provided on appeal.

Wisconsin's real estate transfer form provides detailed information on each sale. Both assessors and the Department of Revenue collect the forms from the county. The state's equalization section enters all sales into its database and sends a copy to the assessor for comments in regard to whether specific sales should be included in the annual ratio study. Assessors qualify sales using a multiple listing service publication where available, and interview owners where sales prices require further inquiry. An inadequate number of sales is a problem in small, rural communities. Most assessors use the state's residential cost manual, and either Marshall and Swift or the Boeckh manual for commercial property. The department also provides forms for the collection of income and expense information by local assessors.

***Use of Computers*** Computers assist assessors in assembling and managing data, in performing sophisticated sales analysis, in developing uniform and consistent values and in efficiently managing tax administration. Several studies have concluded that the use of computer-assisted mass appraisal systems improves assessment uniformity. The use of computers in assessing has increased significantly in recent years with the development of mass appraisal techniques, the advances in computer technology, and availability of inexpensive micro-computers. Small assessing units can now take advantage of data processing capabilities. Each of the state and provincial agencies makes extensive use of computers in performing its responsibilities, and most have provided leadership and assistance in promoting computer usage in local assessing units.

Florida has been a leader in promoting the development and use of computerized valuation and tax administration. All counties are fully computerized with systems standardized as to data and format. The generation of market values annually is fully automated. Enhancing computer capability is supported by the Department of Revenue in reviewing and approving county appraisers' budgets. Data processing equipment and services can be purchased with a three-year loan from the state trust fund.

Idaho's Uniform Assessment Bureau makes computer software, forms and training available to all counties. The bureau developed the system, incorporating the Oregon cost manual for residential, farm, commercial and personal property valuation. Thirty-two out of forty-four counties use the system, and the remaining twelve use certain programs and forms within their own systems. The bureau has also made available a personal computer and hand-held calculator. County assessors on the system send information into the bureau for local cost modifiers, and the bureau incorporates the data and returns a tape or diskette.

The Massachusetts Bureau of Local Assessment developed and implemented a micro-computer-based mass appraisal and tax administration system for the voluntary use of local assessors in small to medium-sized communities who wish to become more self-sufficient in performing the triennial revaluations. The CAMA System was designed under contract with a mass appraisal system vendor to be easy to use and adaptable to local needs. In addition to data management and tax administration, it includes a number of valuation modules, including cost, income, market comparison, and market data analysis using multiple regression. It was tested in a pilot

community, and then offered to assessors. Communities adopting the multi-user system purchase their own hardware in accordance with prescribed specifications at a cost of between \$10,000 and \$25,000. Software, with extensive training and support, is provided by the bureau without charge. Seventy municipalities have installed the system during the past three years. Larger towns and cities have purchased or developed their own systems, and most others use mass appraisal firms, which have automated data management and valuation systems.

All but twelve Texas appraisal districts have all their records computerized, and those twelve have their assessment rolls on computer. The State Property Tax Board does not provide computer systems, but sets specifications for submission of district information in a computerized format to the state for its studies. All of the state's ratio studies are performed by computer, and field personnel are supplied with personal computers and modems to enable them to transmit information directly to the central office's data bank. The consolidation of assessing functions into districts has created offices of sufficient size in many areas to purchase central computer systems for valuation and administrative functions. The district appraisers develop their own programs or purchase them from vendors.

Wisconsin's Department of Revenue is fully automated for its equalization studies and for the appraisal of manufacturing property. In 1978, the department's Assessment Standards Section contracted for the development of a new CAMA system and residential manual which was installed in twenty-two municipalities and Kenosha County. The state's CAMPAS system for manufacturing property was also adapted for local valuation of commercial property, and installed in 30 municipalities. A spreadsheet program, the Micro-Correlation System, was designed in 1984 for market analysis of industrial property. More recently, the department modified Lincoln Institute's SOLIR mass appraisal software system for use on micro-computers. It is available free of charge to those who are willing to undertake the rigorous training that is necessary to use it. It is used in about seventy communities. Funding for computer program development at both the state and local level has been the main drawback to fuller use of computers in Wisconsin. A comprehensive state plan for automated property tax administration was proposed, but has not been funded. Although all taxing districts have their tax rolls automated, only about a quarter of assessing jurisdictions have computer-assisted valuation systems. In smaller, rural communities property valuations are still performed manually.

The British Columbia Assessment Authority recognized the importance of computer capability for efficiency and uniformity and continues to enhance and expand its systems. Program development is done by agency personnel, but the BCAA contracts for data processing systems, going out to bid periodically for the best price and service. CAPAS (Computer Assisted Property Assessment System) is used for all assessments. Field offices have personal computers on-line with direct access to the central mainframe. Field cards are computer-generated, and an image capturing system for building sketches and photographs is nearing completion. Complex reports can be produced by a fourth generation Focus program. A tracking system for appeals and a legal reference system have recently been completed.

All Quebec communities have automated assessment rolls, nearly all of which are compatible with the province's system for conducting ratio studies. The urban communities are private contractors use computer-assisted valuation systems, incorporating provincial manuals and forms. Approximately eighty percent have residential property valuation systems; fewer have automated fully the valuation of commercial and industrial property. Some small jurisdictions share data processing facilities, which are provided by the communities or their contractors. The DGEF does not provide computer services, but has recently developed software which may be used by assessors for costing commercial and industrial improvements. The DGEF has also encouraged and publicized a recent joint project of the Montreal and Quebec urban communities and the city of Laval to develop a portable data collection module, using the handwriting facility of GridPad. The system, when completed, will be available for purchase by any assessing office.

### **E. Information and Remedies for Taxpayers that Improve the Quality of Assessments**

Taxpayers exert considerable influence by monitoring assessment quality and appealing inequitable valuations on their properties. In each of these states and provinces, where the property tax represents a substantial portion of local revenues, statutory provisions for notice and appeal, and administrative programs for taxpayer education and public information are considered to be important components of their assessment systems.

***Notice and Information on Property Assessments*** The requirements for providing notice to taxpayers of their property assessments may be prescribed by law or established by administrative rule or practice. Assessment notices prior to taxation are issued in British Columbia, Florida, Idaho, Texas, Wisconsin, where the assessment appeal process precedes the determination of taxes. The tax bill is the notice of both assessment and taxes in Massachusetts and Quebec, where refunds are made if the taxpayer obtains a reduced value on appeal.

The British Columbia Assessment Authority mails a one-page notice to all property owners in the biennial reassessment year. The notice includes a description of the property, its classification, the market value of land and of buildings, its total taxable value, and its last assessed value. The notice, written in plain language, also indicates "Answers to Commonly Asked Questions about Property Assessment and Taxation," and "How to Request a Court of Revision Hearing," as well as how to telephone a BCAA office to obtain information and discuss the proposed value. The notice explains that tax rates and taxes will be determined by taxing districts, and that only the assessment can be appealed. In the second year of the two year assessment period, notices are sent only to taxpayers when there has been a legal or physical change in the property. The final approved assessment roll is turned over to municipalities or to the province for unincorporated areas, for determination of tax rates and tax billing.

In the other jurisdictions, notice of assessments is the responsibility of county or municipal assessing offices, although the form of notice may be prescribed by the state or province. Idaho county assessors mail state-designated and provided real estate notices before the first Monday in June and personal property notices before the first Monday in July. The annual real property

notices list the parcel identification, category and proposed market value, and information on how to protest the valuation.

In Wisconsin, assessors are required to send individual notices whenever an assessment is increased by \$300 or more. As a practical matter, all taxpayers receive notices when property is revalued. The notice is mailed at the end of April and includes the value of land and buildings, total value, and information concerning informal review by the assessor and formal appeal to the Board of Review. The tax bill, issued by each municipality, includes not only the assessed value, but also an “equalized value” based on the state-determined median ratio. The bill must also list the taxes that would be due without state aid and the amount of taxes reduced due to state aid to schools, counties and municipalities. The actual tax due is approximately half of the original amount.

Florida and Texas have truth in taxation laws which require assessment notices to include tax information. These laws are intended to help taxpayers better understand the relationship between property assessment and taxation, and to promote accountability in public expenditures. Florida’s truth in millage (TRIM) law specifies in detail what information is to be included, and the Department of Revenue provides the forms for the annual notice that must be mailed to each taxpayer. The notice includes a description of the property, the past and current year’s value, applicable exemptions and taxable values, and how to appeal the proposed value. In addition, the notice must list the county, school and special district taxes paid the prior year, what the taxes would be for the current year if the proposed budgets for each were adopted, and what the taxes would be if there were no budget change from the prior year. Public hearing dates for the various taxing authorities are also set forth in the notice. The TRIM law also prescribes how public notice is to be printed in newspapers, and compliance is monitored by the Department of Revenue. The county tax collector issues a single tax bill to property owners, which sets forth the taxes due for each taxing district.

Texas appraisal districts must mail notices by May 15th to owners whose property has been reappraised or when ownership has changed in the preceding year. The notice must comply with the Texas truth in taxation law, and state the value of the property, an estimate of each taxing unit’s effective tax rate based on the prior year’s levy and new value, and the estimated taxes for the current year. After the appraisal roll has been approved by the Appraisal Review Board, the tax assessor (a different official from the property appraiser) calculates and publishes effective and “rollback” rates. Except in some consolidated collection units, school, city, county and other taxing districts each mail their tax bills to property owners, using appraisal district values.

Massachusetts law requires only that the property owners be notified of the assessed valuation of their property on the tax bill. As a part of the certification program, however, the Bureau of Local Assessment requires that there be a public disclosure period prior to tax billing in the year that the municipality’s values must be certified. At a minimum, after the department has given preliminary certification to new values, assessors must issue a press release to one or more newspapers with general circulation in the community, describing the revaluation and its overall

effect on values, and the manner and time period in which taxpayers may review their proposed assessments with the assessors. Non-resident property owners must be notified of their new assessments by mail. Individual notice is required when all properties have been reinspected or when a new valuation system has been introduced. This latter requirement is to allow assessors to correct any errors that may have occurred in data collection or system conversion, prior to final commitment of the assessment roll. Assessors are encouraged, but not required, to project tax rates in their notices, so that property owners can estimate the tax impact of their new values. Copies of public disclosure notices and values changed during this “informal hearing” period are submitted to the bureau for approval before final certification of values is granted. Recent legislation has authorized assessors to list on the tax bill a single fair market value for land and buildings.

Quebec’s tax bill, in a form prescribed by the provincial government, describes the value for land and improvements on each parcel of real estate and lists special assessments of the municipality, the tax rates and taxes for each, and the total taxes due. For real estate taxes, municipalities may average the increase over the three year life of the assessment roll. The median ratio of assessed to market value and the equalized property value are also provided.

***The Appeals Process*** A formal, accessible appeal process is vital to assessment quality. A formal process guards against arbitrary over-the-counter value changes that decrease uniformity. A reasonable opportunity for taxpayers to challenge property assessments promotes fairness and greater accuracy.

In both British Columbia and Quebec, the assessment roll, once deposited, may only be changed by Courts of Revision, which have final authorization over the approval of all valuations. Courts of Revision are first-level appeal boards appointed by the provincial governments. British Columbia has approximately one hundred three-member lay courts located geographically, whose members sit for a period of one and a half months. Quebec has an integrated court system whose members serve full-time throughout the year and hold hearings across the province. Members are qualified by education and experience in law or appraisal. Appeals are heard only at the beginning of the assessment cycle, (two years in British Columbia and three years in Quebec), except for those with legal or physical changes to property in interim years.

Although assessors handle inquiries and review valuations with taxpayers, they must submit changes they determine to be warranted to the court for final approval. In British Columbia more than two-thirds of the cases before the Courts of Revision are brought by the assessor on the taxpayers’ behalf. Taxpayers may appeal directly to the court, which not only has the authority to revise the value of the appellants’ property, but may revise any other assessment to improve uniformity in the roll as a whole. Hearings are generally informal and do not require legal representation. British Columbia courts sit between November first and December 15th, and must authenticate the final roll by December 31st. Decisions by the court may be appealed to the assessment appeal board by the taxpayer, the BCAA or the municipality in which the property is located. At this level, business property owners are usually represented by legal counsel. The

appeal board may only revise the valuation or classification of the property on appeal, and its decisions are final, since only questions of law may be appealed to the supreme court of the province. The Quebec court, which hears appeals after taxes have been paid, does not have a deadline for completing its work. It schedules hearings for residential and small business owners first, which it completes between June and December. In more complex cases, the court holds pre-trial hearings to clarify the issues under appeal and establish a definite time schedule for hearings. These cases may take up to two years to complete. Appellants pay an application fee of between \$20 and \$200, based on property value. Approximately five percent of the court's decisions are appealed to the Court of Quebec.

The first level of appeal in the five states is to the assessor or to a local review board. In Florida, taxpayers may protest their assessments to the county appraiser who has independent discretion to adjust valuations. The Department of Revenue, which currently does not monitor these "counter changes" after final approval of the assessment roll, believes greater documentation and review of these changes is warranted. If the taxpayer is not satisfied after the informal appeal to the appraiser, he or she may petition the Property Appraisal Adjustment Board. There is a \$15 filing fee, which is waived for appeal of disapproval of a homestead exemption or for a person on public assistance, and is refunded if the taxpayer prevails. The five-member board is made up of three county and two school board members, who receive per diem compensation during hearings which must be completed between the department's approval of the final roll and before tax bills may be issued. Review board decisions may be appealed to the circuit court for a de novo trial by the taxpayer and, if there is a violation of law or a specified percentage variance between the assessed and revised value, by the county appraiser. The state attorney general is a party to cases where a violation of law by the review board is alleged, and may take an active part in the court litigation if an issue of importance to the state is involved. The circuit court appeal process thus serves to protect both public and private interests if the lay review boards render unsupportable opinions.

Idaho county assessors may adjust property values only up until the time the assessment roll is formally transmitted to the county clerk. Any changes must thereafter be approved by the county board of equalization which has from the fourth Monday in June until the second Monday in July to hear appeals and deliver an equalized roll to the county auditor. The board is made up of the elected county commissioners who, during this short period, may change any values, whether appealed or not, except for operating property valuations which are centrally assessed. Any party affected by the decision may appeal to the State Board of Tax Appeals, which is made up of three members appointed by the governor, or directly to the district court, either of which hears the case de novo. The members of the board of appeals are trained in their responsibilities by the state, and enroll in appraisal courses offered by the State Tax Commission. Property tax bureau district supervisors often assist county assessors in preparing cases, and may testify before the appeals board for the county.

Massachusetts cities and towns usually have a three member board of assessors who are responsible both for the final assessed values and for acting on applications for abatement which

are filed by taxpayers within thirty days of receiving their tax bills. In the city of Boston, which has a commissioner of assessing, there is a three-member abatement review board within the assessing department. Assessors can only change assessments if a formal application for abatement is timely filed. The assessor has ninety days to act on the taxpayer's application, and to notify the taxpayer of the decision, or if no decision is made, that the application is deemed denied. Although abatement applications are confidential, the action of the board must be voted in public meeting and recorded. The Department of Revenue has authority to audit the assessors' decision to the State Appellate Tax Board. The three-member quasi-judicial board is appointed by the governor and hears all tax appeals de novo, holding hearings in various geographic areas of the state. The taxpayer may choose between an informal or a formal hearing, the former designed for taxpayers who wish to avoid the cost of counsel and transcription. Approximately half of the hearings are informal. Formal decisions may be appealed by either the taxpayer or the assessors to the state appellate court on matters of law only. Ten taxpayers may also bring suit in the superior court against a municipality for illegal taxation. Such suits were common prior to assessment reform.

Appraisal Review Boards (ARB) were created by Texas statute at the same time as the appraisal districts. The review boards may have as few as three or as many as 45 members (based on population), and are appointed by the appraisal district board of directors for two-year staggered terms. They need have no special qualifications, but must be a resident of the district and may not be related to appraisal district employees or persons in the business of appraising property for tax purposes. The State Property Tax Board publishes a manual for ARB members. The ARB receives the assessment roll from the district appraiser and reviews it in its entirety as well as hearing individual taxpayer's protests. District appraisers may recommend changes to the ARB, after reviewing assessments with taxpayers, but may not act independently. Hearings are informal, but property owners are often represented by tax representatives. The board has less than two months to approve the roll, which they may do for ninety per cent of the total value. Accordingly, protests on higher valued properties are heard first, with smaller residential appeals reserved for later, if time runs out. After the roll is approved, tax rates are determined and tax bills issued by the various taxing districts. Either the taxpayer or the taxing district may appeal ARB decisions to the district court. The appraiser may appeal, if authorized by the district board of directors.

In Wisconsin, the first step in protesting an assessment is meeting with the assessor. Some jurisdictions have a special review board made up of senior appraisers in the assessor's office, to review complaints, and recommend action. The assessor has full authority to adjust or change the assessment, and most taxpayer complaints are handled on this level. Taxpayers may appeal, on or before the third Monday in May, to the Board of Review, a citizen panel selected by the municipal or county executive. The board meets for as many days as are necessary to hear appeals. If dissatisfied with the Board of Review decision, a taxpayer may appeal either to the Department of Revenue or the circuit court. The Department of Revenue may revalue the property and adjust the assessment to the assessment ratio of other property in the district, or can order a revaluation of all property within the taxation district if it can be accomplished before tax

billing. The law also permits taxpayers to appeal an entire assessment roll where there are widespread inequities or where the legality of the assessments is questionable.

***Helping the Public to Understand Property Assessment and Taxation*** State and provincial agencies take an active role in promoting effective public information and public relations. All agencies develop and distribute publications on property taxation. Pamphlets and brochures are published for use by local assessing districts and municipalities in explaining property assessment. Guidelines for handling complaints, for visiting taxpayer's property, for making information available, and for promoting good relations with the public are included in manuals and instructional materials for assessors.

In British Columbia, an extensive public relations campaign is organized when a new assessment roll is issued, using the news media, and information booths in large shopping areas. A quarterly newsletter is sent to municipal councils with information about market trends, their impact on assessments, and services available from BCAA. External scanning of taxpayers is carried out to identify property owner service needs.

The state of Texas publishes news releases for use by district appraisers, and for directly informing the media about filing deadlines, exemptions and other property tax issues. Taxpayer relations is of sufficient importance that recent legislation requires metropolitan districts to appoint a taxpayer liaison officer. In Massachusetts, the Department of Revenue has joined with the assessors association in publishing information for taxpayers, and the association makes an annual public relations award to an assessors office for an effective public information program. Some assessors use the IAAO videotape "A Fair Property Tax: The Assessor's Work," either borrowed from the State or purchased from IAAO, in making presentations to civic and business groups.

## **F. Property Tax Relief Programs**

Formal tax relief programs serve as a safety valve for the property tax system. Statutory relief measures can reduce the regressivity of the property tax at lower income levels and minimize tax shifts caused by changing economic conditions. They can relieve political pressures on assessors to under-value or over-value certain categories of property. Sound tax policy calls for the separation of tax policy decisions from assessing decisions, so that the assessor has sufficient independence to value all property uniformly at its market value. The seven case studies provide a wide variety of options for relieving the general property tax burdens, and for reducing individual property taxes.

***Limiting Property Tax Increases*** The states of Florida, Idaho, Massachusetts, and Texas have tax levy or budget increase limitations. In Florida, counties and municipal taxes are limited to 10 mills. Idaho county budgets may not increase more than 5 percent without a referenda vote. Approval of two-thirds of the property owners is required for a bond issue or levy increase, except for schools where only a majority vote is required. Proposition 2 2 limits the total

municipal property tax levy (which includes funding for public schools) in Massachusetts to 2.2 percent of its total assessed value, and limits the annual increase in the levy to 2.2 percent plus an amount for certain growth to the tax base. In its early years, it reduced Massachusetts high property tax burden while state aid replaced a substantial portion of the local revenue loss. In the past three years, however, reductions in state aid have resulted in severe local budget cuts.

All Texas taxing units are restricted from setting a rate with more than a three percent increase without advertising the increase, scheduling a public hearing and voting on the increase in a public meeting. If the increase exceeds 8 percent, taxpayers may petition for a referendum vote on whether to roll back taxes.

Caps on assessment increases will, over time, decrease uniformity, and British Columbia's effort to address unusual fluctuations in its real estate market is now creating inequities in the taxation of different properties. Sudden tax shifts in the city of Vancouver led to legislation in 1989 that allowed a municipality, by a two-thirds vote of its council, to place a 15 percent cap on above-average residential land increases. The city of Vancouver was the only taxing jurisdiction which took advantage of this option, which was applicable to nearly 20 percent of its residential taxpayers in the first year. Commercial properties were also capped. The city has extended the limitation yearly which has resulted in an increasing percentage of its tax roll being subject to the cap. As a result, lower valued properties and vacant land, which is exempt from the cap, are bearing a higher proportion of tax increases. So long as market values continue to increase, Vancouver politicians are faced with the dilemma of continuing the capping system indefinitely, at the expense of a decreasing number of property owners with less highly valued property, or of allowing the unpopular market-based shifts to occur.

In establishing its three year assessment roll, Quebec law provides that each municipality, at local option, may average increased taxes over the three year period. The purpose of this legislation is to allow increases to be phased-in slowly over a period of time, thus moderating sudden tax shifts. Its disadvantage is that it shifts the tax burden from appreciating properties to those with lower values and appreciation.

***Exemptions or Beneficial Treatments for Special Categories of Property*** All of these states and provinces provide by law for special tax benefits to preserve farm, forest or ranch land from development at higher profit. These measures may be in the form of a percentage or dollar exemption from the property's fair market value (British Columbia), a statutory rate limit (Quebec) a current use or productivity valuation method (Florida, Idaho, Massachusetts, Texas), or an income tax credit for a percentage of property taxes paid (Wisconsin). Open space, recreational and park land are also often benefited by one of these methods.

British Columbia is the only jurisdiction among the seven studied that provides an exemption for business property, a maximum exemption of \$10,000 from the assessed value. Neither Canadian provinces value personal property for taxation. Wisconsin exempts manufacturing personal property.

***Taxation at Varying Rates according to Property Classification*** Tax classification allows a certain stability in the tax structure by maintaining over time the relative share of the tax burden borne by various property classes. British Columbia and Massachusetts permit municipalities, at local option, to establish different tax rates for various categories of property. Property classifications are defined by law and determined by the assessor. Tax classification was a necessary part of property tax reform in Massachusetts since it prevented massive tax shifts from business to residential taxpayers in urban areas at the time of court-ordered revaluation. Massachusetts law sets limits on the degree of shift that can occur between residential and business property classes. Tax classification is a preferable choice to fractional assessments, in that it maintains uniform valuation of property while permitting municipalities to establish tax policies in a public forum.

***Reducing Residential Property Taxes*** All jurisdictions recognize the need to provide relief to residential taxpayers, whose ability to pay may not coincide with their properties' worth. Research seems to indicate that relief should not be so great as to diminish homeowners' interest in property tax accuracy and equity, or be administered in such a way as to pressure the assessor to adjust values to bring the exemption into operation.

Homeowner exemption or grant programs are the most common means of granting relief. They are limited to owner-occupied, principal residences of the taxpayer, and are granted regardless of income. The provincial government of British Columbia determines the amount of the grant annually, and has increased its value to \$700 for senior citizens and handicapped citizens and \$430 for other homeowners. These grants can reduce taxes to a minimum of \$100 and \$350, respectively. A supplemental grant was introduced in 1990 for partial relief from school taxes.

Florida exempts \$25,000 from the assessed value of the residence and continuous property. In Idaho, there is an exemption of the lesser of 50 percent or \$50,000 of the value of residential buildings. Texas has value exemptions from school taxes (\$5000), from county taxes (\$3000), and in some areas, from road and flood control district taxes. Local taxing units may grant an additional exemption of up to 20 percent of value. Elderly (over 65) taxpayers qualify for an additional \$10,000 for school taxes plus a local option exemption of at least \$3000, and a ceiling on school taxes from the year of qualification. Massachusetts' residential exemption provides the mechanism for higher valued non-owner-occupied and second home residential properties to pay a greater share than lower-valued principal residences which, at local option, may receive an exemption of up to 20 percent of the average residential parcel value. Major cities with significant value in residential apartments and resort communities have adopted this exemption.

Massachusetts and Quebec also provide a renter's income tax credit.

"Circuit-breaker" programs for low income homeowners are available in Idaho, Quebec and Wisconsin. In Idaho, tax reductions are given to qualified applicants including individuals age 65 or older, fatherless children under 18 years of age, widows and widowers, disabled persons

and veterans, prisoners of war and blind persons. The amount of the tax reduction is determined on a graduated scale based on income, with income limits determined annually by the state. Counties do not lose revenue from the program since the state reimburses the county for the relief granted. Applications are filed with the county, and must be submitted to the State Tax Commission for verification and approval. The Bureau of Real and Personal Property checks all applications against income tax and social security records.

Quebec's reimbursement program for low income and elderly residential owners, tenants and sub-tenants is administered by the provincial minister of revenue. It is equal to 40 percent of a maximum amount of \$1000 in taxes, less two per cent of allowable income. For those over 60 years of age, an additional \$100 is added.

Wisconsin provides relief to low-income homeowners and renters by way of a credit reducing personal income taxes or as a cash refund if the credit exceeds the taxes due. Participation is limited to households with an annual income of not more than \$19,154. The first \$1450 of property taxes is considered in determining the amount of homeowner credit, and 25 percent of the rent (or 20 percent if heat is included) up to a maximum of \$1450 for renters. Income limits and the average credit have been increased, but the number eligible has decreased over the past five years. The credits are paid out of state revenues and administered through the state's income tax program. Public assistance recipients and farmland preservation participants, who benefit from other state programs, are not eligible.

Additional exemptions based on age or disability or veteran status are common in all states, and may be separate exemption programs, or a part of low-income or homeowner relief programs.

British Columbia, Florida, Massachusetts, Texas and Wisconsin offer tax deferral programs. Most have age eligibility requirements, and others have income limitations. Taxes are deferred until the property is sold or settled through the estate. The interest and deferred taxes constitute a lien on the property until repaid.

In British Columbia, property owners over 60 years of age are eligible, regardless of income. Any person eligible for a homestead exemption in Florida may defer payment of a portion of taxes which exceeds five percent of the applicant's household income. If income is less than \$10,000, the entire amount may be deferred. The total amount deferred can not exceed 85 percent of the property's assessed value. Massachusetts homeowners, who are age 65 or older, have owned and occupied the property for at least five years and who have resided in the state for at least ten years and have a gross income not exceeding \$20,000 may defer property taxes annually until the taxes due, including the accrued interest, equal 50 percent of the assessed value of the property. At that time, the taxes due will continue to accrue interest until paid. It is locally administered.

Texas homeowners age 65 or older are eligible to defer property taxes; qualification can also stop a delinquent tax suit and postpone payment of the prior taxes due. Application is made to the

appraisal district. Wisconsin's program is operated as a loan fund for homeowners age 65 or older with a total household income of no more than \$20,000. The co-owner of the property must be at least 60 years old unless he or she is permanently disabled. The program is administered by the state and funded from general state revenues.

***Revenue Sharing and Other Means to Reduce the Property Tax Burden*** A balanced revenue system that relies on a mix of income, consumption and wealth taxes is generally accepted as good public policy. Since property taxes are a major portion of local revenues, provincial and state governments, which collect other taxes, may reduce the property tax burden by transferring local administrative responsibilities to the state and by sharing state revenues with local government. The province of British Columbia did not assume much of the cost of assessment administration when it established the assessment authority, but it did remove the cost from the municipal tax levy. The valuation of manufacturing property was transferred to the Wisconsin Department of Revenue in part to relieve small municipalities from the expense of hiring expert appraisers.

In some cases, local governments are authorized to collect sales and use taxes to increase local revenue without further increasing the property tax burden. As a part of its reform of assessment practices, Quebec established a business tax on rental values.

The allocation of state funds among local units of government is a matter of continuing controversy. Equalization formulas, which include property wealth as a factor, require state and provincial agencies to verify and estimate property wealth to ensure equity in the distribution. As noted earlier, however, this controversy can be the stimulus for improvement of assessing practices. Beyond equalization, Wisconsin's Tax Rate Disparity Payment Program is worthy of mention.

Beginning in 1991, \$25 million in state aid is being provided to municipalities which meet three criteria: a property tax rate equalling or exceeding the state-wide average, property value per capita less than 12 percent of the state-wide average, and the rate of budget growth less than the rate of change of the Consumer Price Index, plus three per cent. The program is administered by the Department of Revenue which distributed payments to 140 communities in 1991. The three major cities received more than half of the funding.

***Administering Relief Programs*** Tax relief programs can be administered and funded at the local or state and provincial level, or by a combination of both. In these jurisdictions, the relief measures are specified in state or provincial law, with little local discretion in eligibility criteria or amount of relief. Where there is local discretion, such as adoption of certain exemptions or varying tax rates at local option, the method of adoption and the class of properties or persons affected is governed by law. Property taxpayers throughout the state or province are legally entitled to uniform treatment.

Legislative bodies rely on state and provincial agencies to collect extensive information to

measure the impact of these programs. Handling applications for relief, classifying properties, and determining individual eligibility, in accordance with law, is primarily the responsibility of local assessing officials in Florida, Idaho, Massachusetts, and Texas. Funding for the programs is also largely at local expense, although state revenue sharing may offset the local impact. The British Columbia Assessment Authority determines the property classifications on which local taxing districts base tax exemptions and variable rates. Idaho's State Tax Commission reviews eligibility for the circuit breaker relief program, and the state reimburses the counties for the amounts lost. The state of Massachusetts reimburses a portion of certain exemptions, upon application from municipal assessors.

Tax credits, administered and funded by the state, have been the major mechanism for property tax relief in Wisconsin. In addition to the "circuit-breaker" program, the farmland preservation credit provides tax relief to resident owners of farms through the income tax. Agricultural property is locally assessed at market value, thus separating the determination of property value from eligibility for tax relief. Local assessors' only involvement with these programs is to provide information to taxpayers.

These states and provinces have included in their property tax policy multiple measures for relieving the property tax burden. Their varied approaches demonstrate that tax relief measures can be designed, administered, and funded to address the particular needs and conditions of each jurisdiction, and to complement and protect quality assessment administration.

#### **PART IV. Lessons and Conclusions**

What can we learn from the efforts and achievements of these seven cases that can be applied in other jurisdictions? It seems striking that the reforms instituted in all cases were a part of a comprehensive package that incorporated many (if not in every case, all) of the features that are recognized to improve assessment uniformity. Studies by public commissions or private groups had recommendations ready for adoption when the climate was ripe for reform. That climate came about because of a combination of interests and issues that brought together a coalition for change. Poor assessing practices alone did not create the motivation for reform, rather it was the needs and interests of taxpayers for equity and tax relief, of local governments and educators for an adequate and stable source of revenue, and of state/provincial governments for a well-conceived response to both fiscal and political pressures. Finally, there was leadership to bring these forces together, most notably by governors of Florida and Wisconsin, but in other cases by judges and legislators, to create a strong structure for achieving reform.

That structural basis in law is essential for improvement. Without it, there is not the clear public commitment to a consistent standard of performance nor the support for those who have the difficult task of achieving it. Each of these states and provinces has established a firm legal basis on which to build a quality system.

In designing the system, the traditions and pervading attitudes toward state/provincial and local

government relations have been taken into consideration. The goals may be the same, but the means of achieving them have been fashioned to respect those relationships. The model provided by the British Columbia Assessment Authority is likely to be favorably considered in a state or province that has a tradition of strong and respected leadership, while a dual system with state/provincial-level oversight may be more acceptable in jurisdictions where local autonomy is revered, even if, in its application, the latter arrangement may be more intrusive into local affairs.

The legal commitment to the principles and features of a high-quality property tax system has enabled creative administrators to tailor their programs to be workable and effective within their particular structures. Many of the programs that have achieved quality results in these jurisdictions have built upon the strengths and addressed the weaknesses of their assessment administration.

Change is constant, and policy makers and practitioners need to be alert to opportunities for strengthening assessment policies and to threats to weaken them. In each of these jurisdictions there has been a continuing stream of legislative amendments to property tax laws, and the formation of numerous study groups to look again at property tax policies and administration. The continual scrutiny has reaffirmed and strengthened the commitment to quality, and this result may be due in part to the active participation of knowledgeable and experienced tax administrators in the deliberations. Property tax executives must, therefore, recognize the importance of keeping up to date on property tax developments, nurturing relationships with client groups, both public and private, and building partnerships to support positive change.

These state and provincial agencies, in working toward improvement, have focused their attention on achieving results, rather than on perfecting the process. Losing sight of objectives, while enforcing the details of the process, has often been the nemesis of bureaucratic institutions. Innovative administrators have been willing to adapt and modify programs to changing circumstances and the passage of time, to discard approaches which are outdated or unworkable, and to reach out for new ideas and techniques.

The leaders of the agencies which were the subject of these case studies would be the first to acknowledge that there is still much to accomplish to achieve the ideal property tax system. Neither this project nor this report intends to offer a single model system to emulate. Rather the aim is to present a rich menu of choices and examples from which policy makers and administrators may fashion a system, based on sound principles, that is suited to their needs. It is hoped that these studies will serve that purpose.

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